



To: All HOME, CDBG & Trust Fund Recipients
From: IHFA Community Development Department
Date: July 23, 2002
Re: **Revisions to FSP-02-09 Procedural Changes/Policy Clarification memo – Insurance Requirements**

Notice: FSP-02-11

This revised memo is being sent to provide further revision and clarification from FSP-02-09 dated July 3, 2002 on the insurance requirements of the Indiana Housing Finance Authority (IHFA).

Builder's Risk, Contractor Liability, and Property Insurance - Effective for all new set-ups and awards with funds remaining to draw

Required Coverage

- For new construction including homebuyer, rental, transitional, emergency shelters, youth shelters and migrant/seasonal farm worker housing activities, builders risk and/or property insurance that includes coverage for work done by the contractors is required throughout the construction period.
- For rehabilitation including homebuyer, rental, transitional, emergency shelters, youth shelters and migrant/seasonal farm worker housing activities, builders risk, contractor liability and/or property insurance that includes coverage for work done by the contractors is required throughout the construction period.
- For owner-occupied rehabilitation contractor liability and/or property insurance that includes coverage for work done by contractors is required throughout the construction period.
- For rental, transitional, emergency shelters, youth shelters, and migrant/seasonal farm worker housing activities, adequate property insurance must be maintained throughout the affordability period. (This is required for all properties assisted through open or closed HOME, CDBG, or Trust Fund awards.)
- For homebuyer and owner-occupied rehabilitation, beneficiary loan documents must stipulate that adequate property insurance be maintained throughout the affordability period.

Policy Requirements

- If a contractor liability policy is used, it must name IHFA as additionally insured.
- If a builders risk policy is used, it must name IHFA as both loss payable and additionally insured.
- If a homeowner policy is used, nothing needs to be added to the policy. Once the lien is placed on the home, the entity placing the lien automatically becomes a loss payable.

- The builder's risk or contractor liability policy can be in the name of the recipient, contractor, owner of the property, subgrantee, or subrecipient.
- The builders risk coverage must be for the replacement value of the property, increasing as appropriate throughout the construction period to the full replacement value at construction completion.
- The value of the contractor liability must be at a minimum for the replacement value of the property. Additionally, if the contractor employs persons, the policy must also include workers compensation.
- The value of the property insurance must be at a minimum for the replacement value of the property.

Required Documentation

- At set-up, recipients must provide a copy of the certificate of insurance.
- At first draw, recipients must provide a copy of the policy endorsement.
- Following construction, recipients of rental, transitional, emergency shelters, youth shelters, and migrant/seasonal farm worker housing activities must provide evidence of property insurance by submitting a copy of the policy endorsement with their completion report and with annual reporting during the affordability period.

If you have any questions regarding this FSP memo, please contact your IHFA Development or Compliance Specialist at (317) 232-7777 or toll-free at (800) 872-0371.